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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

CS-13

November 27, 1937.

THE COTTON SITUATION

NO. 3

This month's issue consists of the regular annual outlook report on cotton, released by the Bureau on November 4 and revised as of the November 8 Crop Report. In addition, a brief review of developments during recent weeks is included.

REVIEW OF RECENT DEVELOPMENTS

The spot price of middling 7/8" cotton at the 10 markets averaged 8.14 cents during October, compared with 8.72 in September and with 12.07 cents in October 1936. Prices for the weeks ended November 6, 13, and 20 were 7.74, 7.78, and 7.77 cents, respectively. The prevailing low level of cotton prices, the Bureau of Agricultural Economics states, is associated with what is by far the largest world supply of all kinds of cotton on record, declining cotton consumption and increasing stocks of cotton textiles in the United States, a sharp curtailment in cotton purchases by Japan, a low level of cotton consumption in China, and lower prices for many other commodities and securities.

Farmers apparently are pledging their cotton for Government loans at an accelerated rate. The Commodity Credit Corporation reported a total of more than 2,600,000 bales of the new crop in the loan stock through November 24.

World consumption of all kinds of cotton was at a somewhat higher rate during the first 2 months of the current season than in the corresponding period a year earlier, according to the New York Cotton Exchange Service. Early last season, however, mill activity and cotton consumption were tending to increase whereas such is not the case this year. World mill

consumption of American cotton was slightly larger in the first 2 months of this year than in the corresponding months in 1936, but most of the increase in total consumption was accounted for by foreign cotton.

Utilization of all kinds of cotton by mills in the United States in October amounted to 526,000 bales, a decrease of 19 percent from October a year earlier. Consumption was still quite high, however, relative to most previous seasons. Domestic consumption in the 3 months ended October 31 totaled 1,733,000 bales compared with 1,856,000 in the corresponding period in 1936, a decline of 7 percent.

Mill activity and cotton consumption continued high during October and early November in most European countries. The weakness in raw cotton prices and the disturbed world situation, however, discouraged purchases of both raw cotton and cotton goods. The Chinese cotton textile industry is almost at a standstill, but mill activity in Japan is reported to be at peak levels in spite of a reduced volume of raw cotton imports and persistent reports during the past 2 or 3 months that a sharp curtailment in Japanese mill operations was impending.

Exports of cotton from the United States in the 3 months ended October 31 amounted to 1,637,000 bales, only slightly more than exports in the corresponding period last season. Exports to European countries have been much larger so far this season than last year, but exports to Japan have been less than one-sixth as large.

THE COTTON OUTLOOK FOR 1938

Summary

World Cotton Supply at New High

World supply of cotton for the 1937-38 season is now (early November) expected to be about 51,400,000 bales. This is 16 percent larger than the record supply of the previous season and one-third larger than the average for the 5 years, 1928-29 to 1932-33. World carry-over on August 1 was slightly less than a year earlier, but production will be much larger than the new high of the previous season.

The world supply of American cotton for the current season is expected to be about 24,200,000 bales which is 25 percent larger than in the previous season, but 8 percent less than the peak supply of 1932-33. The world carry-over of American cotton at the beginning of the season was somewhat less than a year earlier, and the smallest in 7 years. But the 1937 crop of the United States is expected to be 47 percent larger than the preceding crop, and the largest in history.

The world supply of foreign cotton in 1937-38 is expected to reach a new peak (27,200,000 bales) for the fifth consecutive year and exceed the 5-year (1928-32) average by 65 percent. The increase in the current season's supply of foreign cotton in comparison with 1936-37 is largely the result of the marked increase in Russian, Brazilian, and Chinese growths. The increase over the 5-year average is due to marked increases in those growths as well as material increases in Indian, Egyptian, and miscellaneous growths. Foreign production this season is expected in early November to reach 20,100,000 bales. This would be an increase of 10 percent over the record crop of the previous season and 84 percent over the 5-year average. Such a crop would exceed by 12 percent the large 1937-38 United States production, whereas in the 5 years ended 1932-33 the domestic crop was about one-third larger than that of foreign countries.

The 1938 United States acreage goal under the agricultural conservation program has been set at about 27,000,000 acres. This acreage, with yields equal to the average of the last 4 years, would give a crop about 7,000,000 bales less than the crop of the current season. Such a domestic production would probably give a somewhat smaller world supply of American cotton next season, despite the prospective marked increase in carry-over on August 1, 1938. World carry-over of foreign cotton at the beginning of the 1938-39 season is also expected to be materially larger than on August 1 this year. The lower prices being received by most foreign producers for their 1937-38 crop, however, may result in a decline in foreign acreage and production in 1938-39.

World Cotton Consumption Again Increased

Total world mill consumption of cotton for 1936-37 of 31,000,000 bales exceeded the previous year's record high consumption by about 12 percent and was more than one-fourth larger than the average for the 5 years 1928-29 to 1932-33. Total consumption of American cotton of 13,100,000 bales last season was slightly larger than a year earlier but slightly smaller than the 5-year average. The total world mill consumption of foreign cotton during the 12 months ended July 1937 was 18 percent larger than the record high of the previous season and 65 percent above the 1928-29 to 1932-33 average. This marked increase in the consumption of foreign cotton was accompanied by a decline in the foreign consumption of American cotton which in 1936-37 was 15 percent below that of the previous season and 30 percent below the average for the above 5-year period. The increase of about 1,500,000 bales in the consumption of American cotton in the United States in 1936-37, which more than offset the decline in the foreign consumption of American cotton, resulted in a new all-time high consumption in the United States which exceeded the 5-year average by more than one-third.

A decline in the consumption of American cotton during the 1936-37 season took place in practically all foreign countries using significant quantities of American cotton. On the other hand the consumption of foreign cotton showed a significant increase in most of these countries. The decline in the consumption of American cotton and increased use of foreign cotton, resulted in American cotton declining from an average of 41 percent of the total mill consumption of cotton outside the United States in the 5 years 1928-29 to 1932-33 to 23 percent in 1936-37.

Conditions in November indicate that cotton consumption in the United States during the 1937-38 season will probably be less than the record consumption of the previous season but well above the average for the 5 years ended 1932-33. In most European and in a few other foreign countries it is expected that cotton consumption during the current season will again increase. But in Japan and China military operations and other factors are expected to reduce cotton-mill consumption materially. Increased supplies and lower prices of American cotton relative to other growths in the early part of the current season are favorable to an increase in the proportion of American cotton consumed in foreign countries in 1937-38.

Cotton Prices and Farm Income

The average price of Middling 7/8-inch cotton in the 10 markets during 1936-37 was more than 1 cent per pound higher than the averages for the previous season and for the 5 years ended July 1933, and higher than the average for any season since 1929-30. These prices declined from a peak of nearly 15 cents toward the end of March 1937 to below 8 cents early in October. Associated with this sharp decline in cotton prices were the prospective increase in the supplies of cotton, declining cotton consumption and increasing stocks of cotton textiles, and marked declines in prices of many other commodities and of securities.

In the 1936-37 marketing season the gross United States farm income from lint cotton amounted to about \$764,000,000. This was an increase of 30 percent over the previous season, was the highest in 7 years, and 80 percent larger than the low of 1932-33, but 7 percent less than the 5-year (1928-29 to 1932-33) average. Including the income from the sale of cotton-seed and Government payments with respect to cotton for cooperating in the adjustment program, the gross farm income from the 1936-37 cotton crop was more than twice as large as 1932-33 and 7 percent larger than the 5-year average. With an increase of 47 percent in the size of the crop, offsetting in large part the decline in prices, total gross farm income from the 1937 crop, including Government loans and payments with respect to cotton, is expected to equal or exceed the income from the 1936 crop.

Supply

World Carry-over Slightly Reduced

The world carry-over of all cotton at the beginning of the 1937-38 season was slightly smaller than a year earlier, the smallest in 7 years, but approximately the same as the 5-year (1928-32) average. A substantial decline in the world carry-over of American cotton during the 1936-37 season was largely offset by an increase in the carry-over of foreign cotton. The decline in the carry-over of American reduced it to the lowest level since August 1930, and 1,400,000 bales below the 5-year average, whereas the carry-over of foreign cotton increased to a new high and was one-fourth larger than the 5-year average. There seems little doubt but that the world carry-over of both American and foreign cotton will be substantially larger on August 1, 1938 than at the beginning of the present season. Stocks of American cotton will probably increase about 5,000,000 bales, with foreign growths increasing by a much smaller quantity.

Cotton commercial: World carry-over by growths, specified periods

Season	beginning	Egyptian	Indian	Sundry	Total	American	All
August 1				growths	foreign		growths
	Million	Million	Million	Million	Million	Million	Million
Average	bales 1/	bales 1/	bales 1/	bales 1/	bales 1/	bales 1/	bales 1/
1928-29 to							
1932-33	1.2	2.5	1.9	5.6	7.6	13.2	
	:	:	:	:	:	:	
1932-33	1.4	1.9	1.8	5.1	13.3	18.3	
1933-34	1.1	2.5	1.7	5.3	11.8	17.1	
1934-35	1.1	3.3	2.4	6.8	10.7	17.5	
1935-36	.8	2.5	2.7	6.0	9.0	15.0	
1936-37	.8	2.3	3.1	6.7	7.0	13.7	
1937-38	.7	3.1	3.3	7.1	6.2	13.3	
1937-38 as	Percent	Percent	Percent	Percent	Percent	Percent	Percent
percentage							
of average	58.3	124.0	173.7	126.8	81.6	100.8	

Compiled from reports of the New York Cotton Exchange Service.

1/ American in running bales (counting round as half bales) and foreign in bales of approximately 478 pounds net.

The production of commercial cotton in foreign countries in 1937-38 is expected (in November) to total about 20,100,000 bales of 478 pounds net. This is approximately 1,800,000 bales larger than the previous crop which was the record high up to that time, and is about 9,200,000 bales or 84 percent larger than the 1928-32 average. The increase in the prospective current crop in comparison with the 1936-37 production is largely accounted for by increased production in China, Russia, Brazil, and a number of the minor producing countries. These same countries accounted for a large proportion of the increase over the 5-year average although the present estimate of the Indian crop is nearly 1,400,000 bales or 33 percent larger than the 5-year average and the Egyptian crop 800,000 bales or 53 percent larger than the 5-year average. Since 1932-33 the total production of commercial cotton in foreign countries has increased 9,600,000 bales or 91 percent. During this 5-year period, 1932-33 to 1937-38, the production of commercial cotton in foreign countries has increased at a rate of nearly 2,000,000 bales per year, whereas during the preceding 10 years the annual rate of increase was 300,000 bales and in the 25 years ending with 1932-33 was less than 200,000 bales.

The 1938 United States cotton acreage goal under the agricultural conservation program, as announced in late October, was set at 27,000,000 to 29,000,000 acres. These acreages are 14 to 20 percent less than the 1937 estimated harvested acreage and 28 to 33 percent less than the 5-year (1928-32) average. With such an acreage in 1938 and with yield per acre equivalent to the average for the 4 years ended 1936 the production in 1938 would amount to about 10,800,000 to 11,600,000 bales. If, on the other hand, yields should be equal to the average for the 1928-32 period, the production would total about 9,800,000 to 10,600,000 bales.

The outlook with respect to cotton production in foreign countries is quite uncertain. The marked reduction in prices being received for the current crop in most countries and the accumulation of unsold cotton in the hands of producers in some foreign countries, however, may result in some reduction in the 1938-39 foreign acreage and production. This seems probable despite any influence which the 1938 agricultural conservation program calling for a reduction in cotton acreage in the United States may have on production plans in foreign countries.

World Supply Largest in History

Despite the smallest world carry-over in 7-years, a large indicated foreign and domestic production is expected in November to result in a world supply of all commercial cotton for the 1937-38 season of 51,400,000 bales. This is 7,100,000 bales or 16 percent larger than the record supply of the previous season and 12,700,000 bales or 33 percent larger than the 5-year (1928-32) average. The increase over 1936-37 is largely accounted for by the increased supply of American, while the increase in comparison with the 5-year average is almost entirely accounted for by the larger supply of foreign growths.

Cotton commercial: World supply by growths, specified periods

Season	Beginning	Egyptian	Indian	Sundry	Total	American	All foreign	All kinds
August 1	Million	Million	Million	Million	Million	Million	Million	Million
5-year average	bales 1/	bales 1/	bales 1/	bales 1/	bales 1/	bales 1/	bales 1/	bales 1/
1928-29 to 1932-33	2.7	6.9	6.9	16.5	22.2	22.2	22.2	38.7
1932-33	2.5	6.0	7.1	15.6	26.2	26.2	26.2	41.8
1933-34	2.8	7.4	8.5	18.7	24.5	24.5	24.5	43.2
1934-35	2.6	7.5	10.2	20.3	20.3	20.3	20.3	40.6
1935-36	2.6	7.8	11.5	21.9	19.5	19.5	19.5	41.4
1936-37	2.7	8.5	13.8	25.0	19.4	19.4	19.4	44.3
1937-38	3.0	8.8	15.4	27.2	24.2	24.2	24.2	51.4
1937-38 as percentage of average	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
	111.1	127.5	223.2	164.8	109.0	109.0	109.0	132.8

Compiled from reports of the New York Cotton Exchange Service.

1/ American in running bales (counting round as half bales) and foreign bales of approximately 478 pounds net.

The world supply of American cotton for the current season is estimated at 24,200,000 bales. This is 4,800,000 bales or 25 percent larger than 1936-37 and 9 percent larger than the 5-year average, but 2,000,000 bales smaller than the peak of 1932-33. On the basis of November crop prospects the commercial supply of foreign cotton is estimated at 27,200,000 bales which is 2,200,000 bales larger than the record supply of the previous season and 10,700,000 bales or 65 percent larger than the 5-year (1928-32) average.

In view of the prospective increase in the world carry-over of both American and foreign cotton, the 1938-39 world supply of cotton will be larger than in the current season unless the 1938-39 world production of commercial cotton is materially reduced. If the 1938 domestic cotton acreage is no larger than the goal announced in October by the Agricultural Adjustment Administration, and if yields are about equal to the average for the last 4 years, the 1938-39 world supply of American cotton seems likely to be somewhat less than for the current season. With a substantial increase in the carry-over of foreign cotton in prospect, the supply of foreign cotton for the 1938-39 season is expected to be about the same as that for the current season.

Consumption

World Mill Consumption Again Increases to New High

Total world mill consumption of cotton in 1936-37 amounted to 31,000,000 bales and exceeded the previous year's record consumption by about 12 percent and was 28 percent larger than the average for the 5 years ended with 1932-33. World consumption of 13,093,000 bales of American cotton was 5 percent larger than a year earlier but a little less than the 5-year average. In the United States, consumption of American cotton increased 1,500,000 bales or 25 percent over the previous year but in foreign countries consumption of American decreased nearly 1,000,000 bales or 15 percent. World consumption of cotton other than American in 1936-37 increased 2,700,000 bales or 18 percent and was 65 percent larger than the 5-year average. About 80 percent of the increase of 7,000,000 bales in the consumption of foreign cotton in 1936-37 over the 5-year average was accounted for by sundries, particularly Brazilian, Russian, and Chinese but substantial increases also occurred in consumption of Indian and Egyptian.

Total cotton consumption, both in the United States and in foreign countries, was larger during 1936-37 than in any other year. Utilization of rayon yarn and rayon-staple fiber also established new highs in this country and abroad. The increase in industrial production during the year was substantial in most countries but indexes of textile manufacturing for the most part averaged higher than those for general business activity. On the basis of present conditions, mill activity in the United States, Japan, and China is expected to decrease in 1937-38. On the other hand, increases are anticipated in Europe, India, and possibly in a few other countries, and the expectations are that the world consumption of cotton will not be much, if any, smaller in 1937-38 than the record consumption in 1936-37. Consumption of American cotton in Europe and a few other countries is expected to increase as a result of increased supplies and lower prices of American relative to other growths, increased exports of cotton textiles to markets formerly supplied by Japan, and possibly some increases in textile buying in European markets.

Cotton: Mill Consumption in the world

Season :	United States	Foreign countries	World
begin- : ing :			
Aug. 1 : verage: bales	American: 1,000 Foreign: 1,000 : 1,000 : bales	Total: 1,000 : 1,000 : 1,000 : bales	American: 1,000 Foreign: 1,000 : 1,000 : bales
1928-29:	1/ : 1/ : 1/	1/ : 1/ : 1/	1/ : 1/ : 1/
to	:	:	:
1932-33	5,683 : 210	5,893 : 7,560	10,672 : 18,232
1932-33:	6,004 : 133	6,137 : 8,381	10,133 : 18,514
1933-34:	5,553 : 147	5,700 : 8,227	11,675 : 19,902
1934-35:	5,241 : 120	5,361 : 5,965	14,162 : 20,127
1935-36:	6,221 : 130	6,351 : 6,282	15,075 : 21,357
1936-37:	7,768 : 182	7,950 : 5,325	17,716 : 23,041
			13,093 : 17,898
			30,991
			Percentage of 5-year average (1928-29 - 1932-33)
			136.7 : 86.7 : 134.9 : 70.4 : 166.0 : 126.4 : 98.9 : 164.5 : 128.5

Bureau of Agricultural Economics. Compiled from reports of the New York Cotton Exchange Service.

/ American cotton in running bales and foreign in equivalent bales of 478 pounds net weight.

In the United States and Japan, however, a considerable decrease is expected, despite the lower level of cotton prices, and the probabilities are that world consumption of American in 1927-38 will be about the same or somewhat larger than in the previous year.

United States Consumption Largest in History

The record cotton consumption of 7,950,000 bales in the United States in 1936-37 was 25 percent more than in the previous year and 35 percent more than the average for the 5 years ended with 1932-33. The increase over the previous season resulted largely from improved business conditions and increased consumer textile buying. But stocks of finished and unfinished cotton goods accumulated in substantial volume in channels of distribution and in mill warehouses during the latter part of the 1936-37 season. Mill activity for the first 3 months of the current season was about the same as or slightly less than the rate for the corresponding period last season but considerably above the 5-year average. The volume of cloth and yarn production, however, was much larger than sales by mills and unsold stocks of cloth are substantially larger than in early November a year ago. On the basis of present conditions, it is expected that mill consumption in the United States in 1937-38 will be materially less than the record consumption for 1936-37 but well above that for 1935-36 and the 5-year average.

Foreign Consumption at Record High

Total mill consumption in foreign countries of 23,000,000 bales in 1936-37 was 8 percent more than in the previous season and 26 percent more than the average for the 5 years ended with 1932-33. Consumption of American cotton outside the United States last season was 15 percent smaller than in the previous year and 30 percent less than the 5-year average. Total consumption of cotton other than American in these countries was 18 percent larger than in the previous season and 66 percent more than the 5-year average. In 1936-37, American cotton comprised only 23 percent of the total consumption of cotton outside the United States, against 29 percent in the previous year and 41 percent during the 5-year period 1928-32. Increased supplies of foreign cotton and decreased supplies of American accounted in large part for these decreases in the consumption of American and increases in that of foreign cotton during recent years, although in some countries trade restrictions apparently have reduced imports of American cotton more than those of other growths. Despite trade restrictions and the substitution of rayon and other fibers for cotton in foreign countries, total consumption increased substantially. In 1937-38 the total consumption in countries outside the United States is expected to be about the same or slightly smaller than in the previous year. The increased supply of American cotton in prospect for 1937-38 and the smaller increase in supplies of foreign cotton are favorable to an increase in the foreign consumption of American cotton relative to other growths, unless exports are checked by placing of a large volume of cotton under Government loans in this country.

Cotton: Mill consumption in principal foreign regions

Season :	Europe	Orient	Elsewhere						
begin- ning :									
Aug. 1 : American: Foreign: Total	1,000 : 1,000 : 1,000	1,000 : 1,000 : 1,000	1,000 : 1,000 : 1,000						
Average: bales : bales : bales	1/ : 1/ : 1/	1/ : 1/ : 1/	1/ : 1/ : 1/						
1928-29: 1932-33: 1933-34: 1934-35: 1935-36: 1936-37:	5,394 : 5,444 : 5,633 : 3,680 : 4,258 : 3,596	4,563 : 4,290 : 5,043 : 6,055 : 6,708 : 7,944	9,957 : 9,734 : 10,676 : 9,735 : 10,966 : 11,540	1,942 : 2,701 : 2,321 : 2,032 : 1,757 : 1,420	5,353 : 5,169 : 5,779 : 7,009 : 7,264 : 8,593	7,295 : 7,870 : 8,100 : 9,041 : 9,021 : 10,013	224 : 236 : 273 : 253 : 267 : 309	756 : 674 : 853 : 1,098 : 1,103 : 1,179	980 : 910 : 1,126 : 1,351 : 1,370 : 1,488

Percentage of 5-year average (1928-29 - 1932-33)

1936-37: 66.7 : 174.1 : 115.9 : 73.1 : 160.5 : 137.3 : 137.9 : 156.0 : 151.8
 Bureau of Agricultural Economics. Compiled from reports of the New York Cotton Exchange Service.

1/ American cotton in running bales and foreign in equivalent bales of 478 pounds net weight.

Europe.- Total consumption of cotton in Europe during 1936-37 was 11,540,000 bales or slightly more than the increased consumption for the previous year and about 16 percent more than the average for the 5 years ended with 1932-33. Consumption of American cotton declined about 16 percent from the increased consumption in the previous year and was 33 percent less than the 5-year average. But consumption of foreign cotton continued to increase and was 74 percent above average. The small increase in total European consumption in 1936-37 resulted from the continued increases in mill activity in the United Kingdom, Czechoslovakia and in a number of other countries, but consumption in Spain, Germany and Poland declined considerably. Prospects in early November are that the total European consumption of cotton during 1937-38 will be maintained or increased and that the consumption of American probably will increase.

In the United Kingdom, total consumption of 3,040,000 bales in 1936-37 increased 7 percent but consumption of American declined somewhat, following the rather sharp increase in the previous year. American cotton amounted to 38 percent of the total in 1936-37, against 46 percent in the previous year and 55 percent for the 5-year average. The increase in cotton consumption in 1936-37 resulted from an increased domestic buying and a moderate expansion in exports of cotton textiles. Prospects are that general business conditions in the United Kingdom will continue favorable during 1937-38 and that this will sustain domestic textile buying. In addition, present indications point to a volume of cotton-textile exports somewhat above that for 1936-37, particularly if textile exports from Japan decrease, as now appears probable.

Cotton: Mill consumption in Europe

Season :	United Kingdom	Continent	Continent excluding Russia
beginning :			
Aug. 1: American: Foreign: Total	1,000 : 1,000 : 1,000	1,000 : 1,000 : 1,000	1,000 : 1,000 : 1,000
Average: bales	bales	bales	bales
1928-29: 1/	1/	1/	1/
to :	:	:	:
1932-33: 1,392	1,138	2,530	4,002
:	:	:	3,425
1932-33: 1,365	1,027	2,392	4,079
1933-34: 1,403	1,256	2,659	4,230
1934-35: 941	1,650	2,591	2,739
1935-36: 1,295	1,541	2,836	2,963
1936-37: 1,150	1,887	3,037	2,446

Percentage of 5-year average (1928-29 - 1932-33)

1936-37: 82.6 : 165.8 : 120.0 : 61.1 : 176.8 : 114.5 : 63.5 : 160.4 : 94.9

Bureau of Agricultural Economics. Compiled from reports of the New York Cotton Exchange Service.

1/ American cotton in running bales and foreign in equivalent bales of 478 pounds net weight.

Total mill consumption of 8,500,000 bales on the Continent increased in 1936-37 but consumption of American cotton was smaller than in the previous year and about 39 percent less than the 5-year average. Consumption of foreign cotton increased substantially and was 2,600,000 bales or 77 percent larger than the 5-year average. Cotton consumed on the Continent of Europe, except in Russia, is practically all imported. On the Continent, excluding Russia, American cotton was 46 percent of the total last year as compared with 51 percent in 1935-36 and 68 percent during the 5 years ended with 1932-33. Consumption of cotton other than American increased sharply despite the substantial increase in consumption of rayon and various other textile raw materials. Increased supplies of foreign cotton and decreased supplies of American appeared to be primarily responsible for the displacement of American by other growths during recent years on the Continent of Europe. In addition, however, special trade arrangements between certain importing countries and a few foreign cotton-producing countries apparently tended to increase the use of foreign cotton relative to American cotton in these importing countries. General business conditions on the Continent and the outlook for textile exports indicate that the total consumption will be somewhat larger in 1937-38 than in the previous year, with prospects for an increase in the proportion of American.

The Orient. - Mill consumption of all kinds of cotton in the Orient increased about 11 percent during 1936-37 as compared with the previous year and was about 37 percent larger than the average for the 5 years ended with 1932-33. Consumption of American cotton, on the other hand, decreased 19 percent last season and was 27 percent smaller than the 5-year average. Consumption of foreign cotton has increased every year since 1932-33 and in 1936-37 was 60 percent larger than the 5-year average. Most of the American cotton consumed in the Orient is utilized in Japanese mills as those in China and India use native cotton almost exclusively. Formerly China imported considerable quantities of cotton from the United States but India has never consumed much American cotton. Unsettled

Cotton: Mill consumption in the Orient

Season :	Japan	China	India
begin- ning :			
Aug. 1 : American: Foreign: Total	1,000	1,000	1,000
Average: bales	bales	bales	bales
1928-29: 1/	1/	1/	1/
to :			
1932-33: 1,345	1,418	2,763	518
:	:	:	518
1932-33: 1,847	1,087	2,934	748
1933-34: 1,857	1,432	3,289	423
1934-35: 1,737	1,911	3,648	247
1935-36: 1,619	1,930	3,549	83
1936-37: 1,367	2,562	3,929	21
Percentage of 5-year average (1928-29 - 1932-33)			
1936-37: 101.6	180.7	142.2	4.0

Bureau of Agricultural Economics. Compiled from reports of the New York Cotton Exchange Service.

1/ American cotton in running bales and foreign in equivalent bales of 478 pounds net weight.

conditions in the orient make the outlook for 1937-38 very uncertain but most indications point to a substantial decrease in total consumption and to a material reduction in the consumption of American as compared with the previous year. In Japan, total consumption is expected to decline considerably, largely as a result of reduced cotton-textile exports. Any decrease in cotton consumption in Japan resulting from decreased exports of cotton textiles will tend to stimulate cotton consumption and cotton-textile exports from Europe and possibly elsewhere. Total cotton consumption in China is expected to be materially lower than in the previous season but the upward trend in the consumption of cotton in India is expected to continue, especially if imports of cotton cloth from Japan should decrease materially.

In Japan, total consumption of 3,900,000 bales in 1936-37 was a new high, following a slight recession in the previous year, and was about 42 percent larger than the average for the 5 years ended with 1932-33. Consumption of American cotton decreased in 1936-37 for the third consecutive time and represented only 35 percent of total consumption, compared with 49 percent in the 5-year period. Indian cotton is still the principal competitor of American cotton in Japan but imports of sundries cotton have increased substantially in recent years, comprising 14 percent of the total in 1936-37, against 7 percent during the 5 years ended with 1928-32. Early-season indications are that despite the lower level of cotton prices and comparatively large stocks of cotton in Japan, total consumption is likely to decrease materially. Japanese exports of cotton textiles, which constitute more than half of their total requirements for raw cotton, now (early November) appear likely to decline in 1937-38, but the Japanese loss in foreign textile markets will probably result in gains by other textile exporting countries which consume considerable American cotton.

In China, consumption of 21,000 bales of American cotton in 1936-37 compared with an average of 520,000 bales in the 5 years ended with 1932-33. This decrease is due to a considerable extent to increased production of Chinese cotton. Current estimates indicate another increase in the Chinese cotton crop for 1937-38 but consumption in areas where about two-thirds of the manufacturing capacity of Chinese mills is located practically ceased during August and September. Activity has apparently been resumed in some of these mills but some have been completely destroyed. With prospects for supplies of Chinese cotton much above Chinese requirements for the 1937-38 season, a substantial increase in exports to Japan and other cotton-consuming countries may occur if facilities are available for shipment out of China.

In India, the indications are that total mill consumption may continue to increase during 1937-38. Imports of cotton cloth, principally from Japan and the United Kingdom, were about one-third smaller in 1936-37 than in the previous year and about 40 percent smaller than the 5-year average.

Other countries. - Foreign countries outside Europe and the Orient consumed considerably more cotton in 1936-37 than in the previous year and nearly 52 percent more than the average for the 5 years ended with 1932-33. Consumption of American cotton during 1936-37, most of which was in Canada, continued to increase and was 38 percent larger than the 5-year average. Consumption of cotton other than American also increased and was about 56 percent larger than average. Increases in consumption of native cotton in Brazil, Mexico, and the less important cotton-producing countries in North and South America account for most of the increase in the consumption of cotton other than American in these countries, over the 5-year average.

Prices and Income

The average price of Midiling 7/8-inch cotton in the 10 designated markets was 1.15 cents per pound higher in 1936-37 than in the previous season, the highest seasonal average since 1929-30, and 1.28 cents higher than the 5-year (1928-32) average. The 10-market average price of Middling 7/8-inch cotton declined from a peak of nearly 15 cents a pound toward the end of March to below 8 cents early in October. Associated with this sharp decline in cotton prices were substantial increases in the prospective supplies of both American and foreign-grown cottons, increases in stocks of cotton textiles and reductions in cotton-mill activity, particularly in the United States and in the Orient, and marked declines in prices of many other raw materials and securities. During the first 3 months of the current season, prices in the 10 markets averaged 3.03 cents lower than in the corresponding period a year ago, and the average price of 7.74 cents during the week ended November 6 was 4.37 cents lower than a year earlier.

The weighted-average price received by producers during the 1936-37 season of approximately 12.3 cents was 1.2 cents more than for the previous season and 1 cent above the 5-year (1928-32) average. With an increase of about 17 percent in the size of the crop and 11 percent in prices to growers, the gross income from the sale of cotton during the 1936-37 season was 30 percent larger than in the previous season and the largest since 1929-30, but 7 percent smaller than the average for the 5 years ended with the season 1932-33.

The combined income to cotton producers from cotton and cottonseed, together with Government payments with respect to cotton in 1936-37, was 15 percent larger than in the previous season, more than twice as large as in 1932-33, and about 7 percent larger than the average for the 5 years ended with 1932-33. Excluding Government payments, the gross farm income from last year's crop was 30 percent above that for the 1935 crop, 95 percent higher than the low income from the 1932 crop, and only slightly below the 5-year (1928-32) average. When adjusted for changes in the prices of things farmers buy, the gross farm income from cotton and cottonseed in 1936-37, including Government payments, was about 3 percent above that of the previous season, 63 percent above the low income of 1932-33, and 14 percent above that for the 5-year average. With an increase of about 47 percent in production, gross farm income from the 1937 domestic crop, including Government loans and price adjustment and conservation payments with respect to cotton, is expected to equal or exceed that from the 1936 crop, despite the substantial reduction in prices.

Cotton: Domestic prices and income, specified periods									
:Spot price of lint: Gross income received by producers from -- : :Total, including Government									
Season	Weighted	Average	:	:	:	:	payments		
beginning	average	for 10	Cotton	Cotton	Government	:	Adjusted to the		
August 1	received	desig-	lint	seed	ment	Actual	1910-14 level		
	by	nated	:	:	:	:	of prices paid		
	producers	markets	:	:	:	:	by farmers		
Average	Cents per	Cents per	Million	Million	Million	Million	Million		
1928-29 to	pound	pound	dollars	dollars	dollars	dollars	dollars		
1932-33	11.3	11.42	822.7	97.6	---	920.3	668.2		
1932-33	6.5	7.15	424.0	40.3	---	464.3	450.8		
1933-34	10.2	10.81	663.5	53.0	179.6	896.1	759.4		
1934-35	12.4	12.36	595.6	111.4	115.2	822.2	652.6		
1935-36	11.1	11.55	590.1	107.7	1/160.1	858.0	703.3		
1936-37	12.3	12.70	764.4	140.6	82.2	987.1	759.3		
1937-38 2/	3/ 9.3	9.03	144.1	---	107.3	113.6			
1936-37 as	Percent	Percent	Percent	Percent	Percent	Percent	Percent		
percentage:	108.8	111.2	92.9	144.1	---	107.3	113.6		
of average:									

1/ Includes price adjustment payments amounting to \$39,800,000.

2/ Average of August, September, and October.

3/ Simple average of August 15, September 15, and October 15 prices.

The loan plan as announced by the Commodity Credit Corporation on August 30 and modified on October 4, provides for loans to producers of the 1937 crop of 9 cents per pound for Middling and better in grade of staples not shorter than 7/8 inch, and specified smaller loans for the lower grades and/or shorter staples. Should the proportion of the various grades and staples for the 1937 crop be approximately the same as for the 1936 crop, the qualities specified as being eligible for loans would include about 95 percent of the crop. But only growers who agree to cooperate in the 1938 Agricultural Adjustment Program to be established by new farm legislation can secure these loans on their cotton even though it may be of eligible quality. Provisions were also made for price-adjustment payments on the 1937 crop equal to the difference between 12 cents per pound and the average price of Middling 7/8-inch cotton in the 10 designated markets on the day of sale, but not to exceed 3 cents per pound. Provisions in the announcement made in August limited these payments to 65 percent of each producer's 1937 base production and not to exceed the 1937 production. Such payments are to be contingent upon proof of compliance with the 1938 agricultural program to be enacted, and of the sale of the cotton prior to July 1, 1938.

The Commodity Credit Corporation reported that up through November 9, a total of 1,733,000 bales were reported pledged on these Government loans. Conditions in early November indicate that the availability of these loans will reduce considerably the supply of American cotton immediately available in the markets.

Prices of Indian and Egyptian cotton continued to advance in relation to prices of American in Liverpool and in 1936-37 averaged relatively higher than during the 5 years ended with 1932-33. During the first 3 months of the current season Liverpool prices of American cotton were lower in relation to prices of Indian and Egyptian cotton than during the 1936-37 season, and were more favorable to the consumption of American cotton than in the corresponding period in a number of years.

<u>Cotton: Spot price per pound of specified growths at Liverpool</u>							
	<u>Actual prices of spot cotton</u>			<u>As a percentage of American Middling</u>			
Season beginning	American: Midiling	Indian: Average	Egyptian: Uppers	Brazilian: Sao Paulo	American Middling	Indian	Egyptian
August 1	: 7/8 : of 3 : inch	: F.G.F. : types	: Fair	: Indian	: Egyptian	: Brazilian	
Average	: Cents	: Cents	: Cents	: Cents	: Percent	: Percent	: Percent
1923-29 to 1932-33	: 13.49	: 10.04	: 15.86	: 13.08	: 79.0	: 118.7	: 97.7
1932-33	: 3.52	: 7.14	: 10.61	: 8.61	: 86.7	: 125.2	: 101.0
1933-34	: 12.47	: 3.87	: 13.77	: 12.28	: 74.0	: 110.8	: 98.8
1934-35	: 14.24	: 10.02	: 15.49	: 13.86	: 72.3	: 108.8	: 97.4
1935-36	: 13.50	: 10.36	: 15.49	: 13.45	: 79.5	: 114.8	: 99.8
1936-37	: 14.62	: 11.07	: 17.40	: 14.12	: 79.8	: 119.0	: 96.6
1937-38 2/	: 11.09	: 8.79	: 15.06	: 10.81	: 85.2	: 135.8	: 97.5
1937-38 as percentage of average	: Percent	: Percent	: Percent	: Percent	: Percent	: Percent	: Percent
	: 82.2	: 87.5	: 95.0	: 82.6	: 107.8	: 114.2	: 99.8
<u>1/ As a percentage of American Middling and Low Middling.</u>							
<u>2/ Average of August, September, and October.</u>							

Changes in the relative quantities of American and foreign cotton available in world channels from one season to another tend to result in material changes in the comparative prices of these growths, especially if these growths differ materially in quality. But as prices of cotton of one growth increase or decrease in relation to prices of other growths, the consumption of the relatively cheap cotton tends to increase in relation to the total consumed. Such shifts in consumption tend to readjust the comparative prices of these growths in line with the differences in quality or spinning utility. As a result, over a period of years, the proportion of the total cotton consumed of a given growth varies directly with the ratio of the supply of that growth to the total supply even though the price of it shows little or no net change relative to the prices of cottons of other growths.

In other words, over short, season-to-season periods, substantial changes in the relative supplies of cotton of different growths, particularly when materially dissimilar in quality, tend to result in changes in their comparative prices; but over longer periods adjustments are made in consumption, so that the relative amounts of the various growths consumed become adjusted to the total supply of each. Hence, over periods of time long enough to allow these adjustments, the relative quantities of American and foreign cotton consumed depend on amounts available, and the price differentials depend on differences in spinning

utility. This is true not only of cottons of different growths insofar as the represent differences in quality, but also of cottons of different quality (or spinning utility) in the American crop and in the crop of any other country.

Staple Situation

The increase in total world supply of cotton in the 1937-38 season apparently will be relatively greater for the short and medium staples than for the long staples. The domestic supply of American Upland cotton of staples shorter than 7/8 inch in 1937-38 apparently will be about 41 percent larger than in the previous season, and about 19 percent larger than the average for the 5 years ended with 1932-33. This increase in supply of short-staple American cotton, along with a substantial increase in the supply of Indian and Chinese cottons, most of which is of staples shorter than 7/8 inch, gives an unusually large total world supply of short-staple cotton. The indicated supply of the medium staple (7/8 to 1-3/32 inches, inclusive) American Upland cotton showed an increase of 30 percent over that of the previous season, and 17 percent over the average for the 5 years ended with 1932-33. In addition, substantial increases in cotton production in 1937-38 are indicated in Brazil, Russia, and other countries where considerable quantities of the medium staples are produced. The indicated supply of long-staple (1-1/8 inches and longer) American cotton for the season 1937-38 apparently will be about 10 percent larger than in the previous season and about 14 percent larger than the 5-year (1928-32) average. In addition, an increase is indicated in the 1937-38 crop in Egypt, Peru, and other countries which produce substantial quantities of long-staple cotton, with the result that the total world supply of long staples probably will be considerably greater than in the previous season.

Cotton: Domestic supply 1/ by staple lengths of American upland

Year	Shorter : 7/8	15/16	1	1-1/16	1-17/8	1-3/16
beginning	than	and	and	and	and	and
August 1	7/8	29/32	31/32	1-1/32	1-3/32	1-5/32
Average	1,000	1,000	1,000	1,000	1,000	1,000
1928-29 to	bales	bales	bales	bales	bales	bales
1932-33	2,026	7,349	4,692	2,744	1,342	842
1932-33	1,136	8,179	6,375	3,480	1,626	1,169
1933-34	723	6,990	6,197	3,795	1,492	1,204
1934-35	1,017	6,017	4,168	2,894	1,503	1,233
1935-36	1,843	6,004	4,434	2,679	1,399	906
1936-37	1,713	5,432	3,876	3,464	1,780	923
1937-38 <u>2/</u>	2,411	6,940	5,744	4,272	1,936	1,084
	Percent	Percent	Percent	Percent	Percent	Percent
1937-38 as						
percentage	119	94	122	156	144	129
of average						

1/ Carry-over plus estimated production.

2/ Preliminary estimate, based on information available in early November.

Cotton: Staple premiums and discounts from prices of Middling 7/8 inch

Year	Disc. 1/	Prices	Premiums 3/
beginning	for	of Mid.	
August 1	: 13/16 in.	: 7/8 2/	: 15/16 : 1 : 1-1/16 : 1-1/8 : 1-3/16 : 1-1/4
Average:	Cents	Cents	Cents
1928-29 to :			
1932-33	: 0.52	: 11.42	: 0.34 : 0.83 : 1.39 : 1.88 : 2.87 : 5.82
1932-33	: .21	: 7.15	: .12 : .38 : .73 : 1.06 : 2.01 : 4.25
1933-34	: .23	: 10.81	: .22 : .62 : 1.10 : 1.55 : 2.69 : 5.12
1934-35	: .36	: 12.36	: .32 : .81 : 1.15 : 1.40 : 2.36 : 4.79
1935-36	: .39	: 11.55	: .36 : .85 : 1.21 : 1.68 : 2.51 : 4.60
1936-37	: .84	: 12.70	: .67 : 1.36 : 2.00 : 3.36 : 4.34 : 5.54
1937-38 4/	: 1.16	: 9.03	: .47 : .90 : 1.25 : 2.43 : 3.45 : 5.20
1937-38 as	Percent	Percent	Percent
percentage	: 223	: 79	: 138 : 108 : 97 : 129 : 120 : 89
of average			

1/ Average discount at Houston, Galveston, and New Orleans.

2/ Ten-market average.

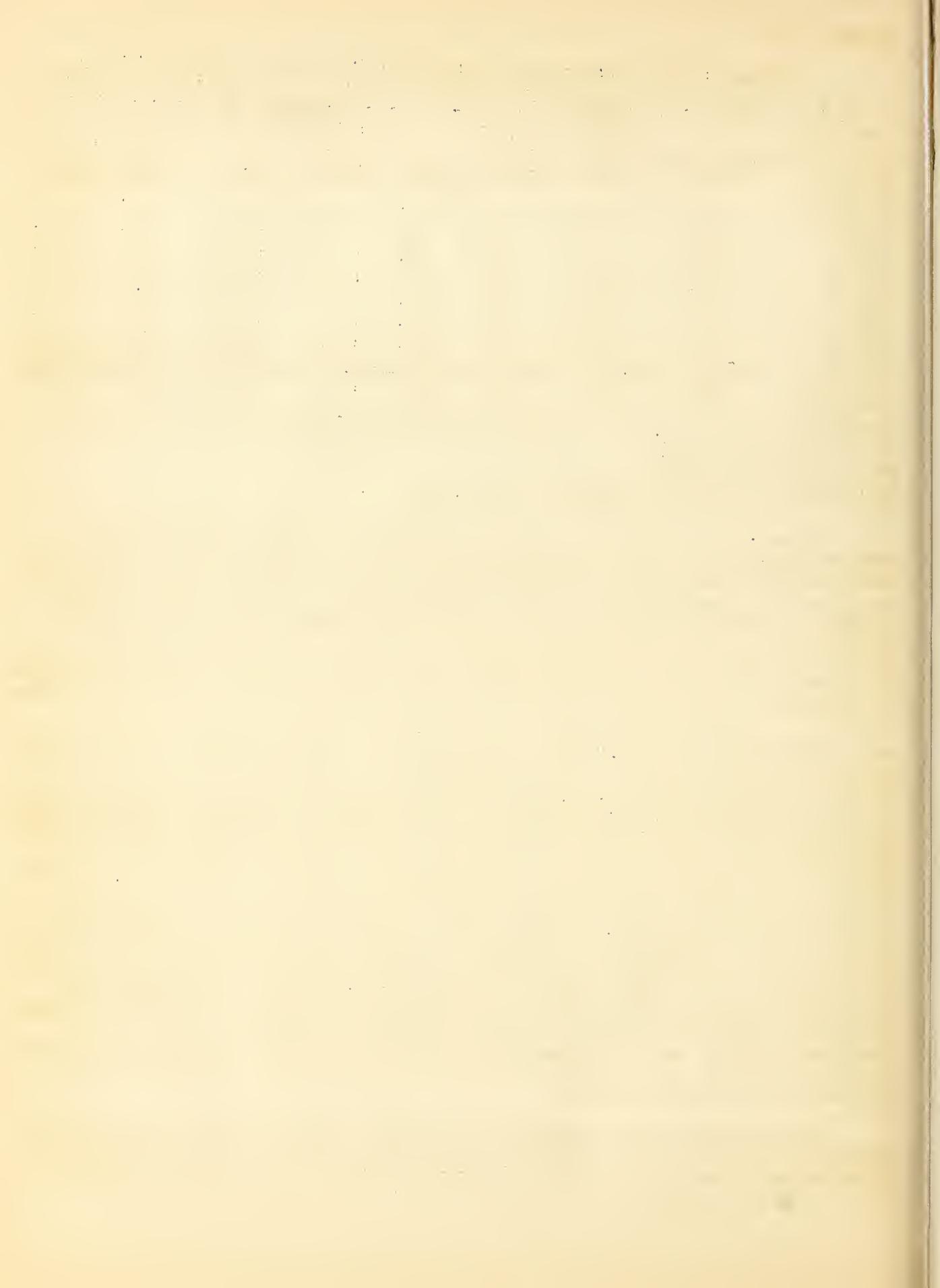
3/ Average premiums at Memphis.

4/ Average for August, September, and October.

Discounts for 13/16-inch staple continued to increase throughout the 1936-37 season, and in August and September 1937 were substantially greater than the average for the previous season and were more than twice as great as the average for the 5 years ended with the season 1932-33. Prices of Indian relative to American cotton in Liverpool were considerably higher early in the 1937-38 season than in the previous season and were somewhat higher than the 5-year (1928-32) average. The relatively large world total supply of the short staples is conducive to a continuation of relatively wide discounts for 13/16 inch staples in comparison with prices of 7/8-inch cotton throughout most of the current season.

Premiums for staples 15/16 inch and longer increased further during the first half of the 1936-37 season, but narrowed somewhat during the summer of 1937. Early in the 1937-38 season, these premiums were on the whole about the same as in the corresponding period a year ago and, with the exceptions of 1-1/16 inch and 1-1/4 inch staples, were substantially greater than in the 5-year (1928-32) average. When expressed as proportions of the price of Middling 7/8-inch cotton, premiums for these staples were somewhat greater than a year ago and considerably greater than the 5-year average. Prices of Brazilian Sao Paulo Fair relative to American Middling in Liverpool early in the season 1937-38 were about the same as in the preceding season and about the same as the average for the 5 years ended with the season 1932-33. Prices of Egyptian Uppers (long-staple cotton) compared with prices of American Middling in Liverpool averaged substantially higher during the early part of the 1937-38 season than a year earlier and substantially higher than the average for the 5 years ended with 1932-33. A continued relatively strong demand for fine clothing and for industrial goods requiring long-staple cotton is favorable to maintaining relatively high premiums for the longer staple cotton throughout most of the 1937-38 season, despite the greater competition from other fabrics and technological changes which have increased the substitution of the shorter for the longer staples.

The relatively wide premiums for the longer staples, increased available supplies of planting seed of improved longer staple varieties, and prospects for classification service to growers in communities organized for quality improvement favor some increase in the staple length of American cotton in 1938.



THE COTTONSEED OUTLOOK FOR 1938 Revised as of the
Nov. 8 crop report

The supply of cottonseed in the United States in 1937-38 is now expected to be about 3,100,000 tons, which is about 47 percent larger than in 1936-37, 23 percent larger than the average for the 5 years ended 1932-33, and the largest in history. With stocks of cottonseed and cottonseed products usually small in comparison with production, the supplies of the various cottonseed products show about the same comparisons as the supplies of cottonseed. On the whole, the supplies of those fats and oils that are most directly competitive with cottonseed oil apparently will be about the same as or slightly smaller than for the season 1936-37 and considerably smaller than the 5-year average. On the other hand, the supply of feedstuffs which materially affects the prices of cottonseed hulls and meal will be much larger than last season but smaller than the 5-year average. The large increase over 1936-37 in the supplies of cottonseed and cottonseed products and in feedstuffs largely accounts for the marked decline in the prices of cottonseed, cottonseed products, and many of the important competitive products during the last few months. With supplies of cottonseed products materially larger than in 1936-37 and with business activity expected to be somewhat lower, prices of cottonseed products and cottonseed declined greatly during the latter part of 1936-37 and the early part of the current season. In August to October the prices of cottonseed and most cottonseed products averaged 30 to 40 percent lower than the 1936-37 average.

Supply and price of cottonseed and specified fats and oils in the United States

1/ Stocks of crude oil plus refined reduced to a crude basis.

2/ Stocks on August 1 plus domestic production.

3/ Stocks on August 1 plus production under Federal inspection.

4/ Preliminary estimates of supply. Prices are averages for August, September, and October.

Cottonseed Oil

The indicated supply of cottonseed oil, the principal product of cottonseed (which on the average represents about 60 percent of the value of cottonseed products) for the season 1937-38 is the largest on record, about 36 percent larger than in 1936-37, and 19 percent larger than the 5-year average. Not only was there a marked increase in the production of cottonseed oil but stocks on hand at the beginning of the season were larger than a year earlier, and larger than the 5-year average. Prices of cottonseed oil in August, September, and October 1937 were about 29 percent below the average for 1936-37, but 7 percent above the 5-year average. In general, imports and exports of cottonseed oil have been small in comparison with domestic utilization, but in the last two seasons domestic production of cottonseed oil was supplemented by net imports, whereas in earlier seasons exports were of considerable volume and imports were negligible. It seems probable that again in 1937-38 considerable quantities of cottonseed oil will be exported despite the larger production of cotton, cottonseed, and cottonseed products in foreign countries.

Cottonseed oil is used principally in the production of vegetable shortening and compounds in which its chief competitors are other vegetable oils, lard, edible tallow, and fish oils. The commercial supply of lard in the 1937-38 season is now tentatively estimated to be slightly smaller than the comparatively small supply of the previous season and only a little over half as large as the 5-year (1928-32) average. In view of the marked reduction in foreign demand for and exports of lard, the very small domestic supply does not mean a proportional decrease in domestic competition of lard with cottonseed oil. During the 5 years ended 1932-33, exports of lard averaged about 653,000, pounds or 27 percent of the domestic supply, whereas in 1936-37 they amounted to about 100,000,000 or one-tenth of the supply. Wholesale prices of lard at Chicago in August, September, and October averaged about the same as during the 12 months ended July, 1937, and 26 percent higher than the 5-year average.

Total domestic stocks on June 30, 1937 of 5 of the principal vegetable oils which compete more directly with cottonseed oil were about 2 percent smaller than a year earlier but 28 percent larger than the 5-year (1928-32) average. The stocks situation together with very rough estimates of probable production and imports during the cotton crop year indicate that the domestic supply of these oils will not be materially different from 1936-37 but materially larger than average.

Hulls and Meal

Conditions in early November indicate that the supply of cottonseed cake and meal in 1937-38 as well as the supply of cottonseed hulls will be much larger than in 1936-37 and from one-fifth to one-third larger than the 5-year average. In the case of cake and meal, stocks at the beginning of the season were smaller than a year earlier. Consequently, the increased production accounts for all of the increased supply. In the case of cottonseed hulls, however, at the beginning of the season stocks were much larger than a year earlier. Prices of cottonseed hulls and meal in the first 3 months of the current season averaged from 33 to 40 percent lower than during the previous season and substantially lower than in the 5 years ended July 1933. The marked increase in the supply of competing feeds (see Feed Outlook) has resulted in the prices of these products being substantially lower than last year and are expected to cause prices of these products to continue materially below those existing in 1936-37 throughout the current season. The larger supplies and lower prices of competing feeds is one of the factors accounting for the decline in prices of cottonseed, hulls, and meal during recent months.

Supply of cottonseed hulls, meal, and linters in the United States

	Hulls	Cake and meal		Linters, F.O.B. Mill Pts.		
Season	Supply	Price at	Supply	Price of meal-41%	Supply	Average price of
beginning	1/	Atlanta	1/	protein	1/	No.2
August 1						No.6
				at Memphis		
		Million	Million	Million	Million	Cents
		Dollars	Dollars	Cents	Cents	Cents
		tons	per ton	running per lb.	per lb.	per lb.
				bales		
5-year av.						
1928-29 to						
1932-33	1.4	9.12	2.3	26.66	1.0	3.91
						1.85
1934-35	.9	13.53	1.7	32.30	.9	5.75
1935-36	1.1	9.88	1.9	22.41	.9	5.49
1936-37	1.5	12.74	2.1	34.33	1.2	5.00
1937-38 2/	1.6	7.61	2.8	23.05	1.5	4.11
	Percent	Percent	Percent	Percent	Percent	Percent
1937-38 as						
percentage						
of average	114.3	83.4	121.7	86.5	150.0	105.1
						123.8

1/ Stocks on hand August 1 plus domestic production.

2/ Preliminary estimate of supply and average of August, September and October prices.

Linters

The supply of linters for the current cotton-marketing season is expected to be about 25 percent larger than in the previous season and 50 percent larger than the average for the 5 years 1928-29 to 1932-33. The larger increase in the supply of linters over the 5-year average than in the case of cottonseed is accounted for by a closer delinting of the seed during recent years in response to increased demand for cellulose. The average prices of linters at western mill points in August, September and October this year were materially lower than the average for 1936-37 but 5 to 24 percent higher than the average for the 5-year (1928-32) average.